

S&P Global Carbon Efficient Index Series Consultation

NEW YORK, APRIL 18, 2019: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with members of the investment community on potential changes to the S&P Global Carbon Efficient Index Series.

In order to allow for an expanded universe of potential candidates for index addition, S&P DJI is considering two potential methodology changes as described below.

INCLUSION OF CHINA A-SHARES

As previously announced, S&P DJI will add eligible China A-Shares that are accessible via the Shanghai-Hong Kong Stock Northbound Connect or Shenzhen-Hong Kong Stock Northbound Connect facilities to S&P DJI’s Global Benchmark Indices with an Emerging Market classification effective prior to the market open on September 23, 2019 using a reduced weight factor of 25% of each company’s investable weight factor.¹

S&P DJI is seeking market feedback in order to determine whether the S&P Global Carbon Efficient Index Series² should also introduce eligible China A-Shares in order to allow for a greater number of potential candidates for index inclusion. S&P DJI is considering two options for the inclusion of China A-Shares:

- **Option 1.** Include eligible China A-Shares in the eligible universe using a similar 25% inclusion factor approach as the underlying Global BMI indices.
- **Option 2.** Include eligible China A-Shares in the eligible universe using a 100% inclusion factor.

For clarity, the table below summarizes the proposed change.

Proposed Change	Methodology	
	Current	Proposed
Eligible Universe: Inclusion of China A-Shares	China A-Shares are excluded as they are not part of the underlying universe indices.	China A-Shares added to the S&P Global BMI indices will be included as part of the eligible universe of the S&P Global Carbon Efficient Index Series using a set inclusion factor (e.g. 25% or 100%).

¹ Please refer to S&P Dow Jones Indices’ 2018 Country Classification Consultation Results available [here](#).

² Excluding the S&P China A Carbon Efficient Index which already includes China A-Shares.

LIQUIDITY SCREEN FOR NON-CONSTITUENTS DOMICILED IN INDIA

S&P DJI is seeking market feedback in order to determine whether the S&P Global Carbon Efficient Index Series should modify the liquidity screen used for non-constituents domiciled in India to account for the three-month median daily value traded (“3M MDVT”) of the National Stock Exchange of India Ltd. (“NSE”) in addition to that of the Bombay Stock Exchange (“BSE”). This would allow for a greater number of potential candidates for index inclusion.

For clarity, the table below summarizes the proposed change.

Proposed Change	Current	Methodology	Proposed
Liquidity Screen: Non-Constituents Domiciled in India	Non-constituents domiciled in India that trade on the BSE are, as of the rebalancing reference date, subject to a liquidity screen based on their 3M MDVT from the BSE.		Non-constituents domiciled in India that trade on the BSE are, as of the rebalancing reference date, subject to a liquidity screen based on their aggregate 3M MDVT from both the BSE and NSE.

IMPACT ANALYSIS

Turnover

Using data from the March 2019 rebalancing, the table below shows each index’s actual turnover as well as the hypothetical turnover that would have occurred had China A-Shares been included at that rebalancing using an inclusion factor (“IF”) of 25% and 100%.

Index	Turnover		
	Actual (Excluded)	Hypothetical (25% IF)	Hypothetical (100% IF)
S&P Global Ex-Japan LargeMidCap Carbon Efficient Index	8.51%	8.48%	9.30%
S&P Global LargeMidCap Carbon Efficient Index	7.74%	8.21%	8.96%
S&P Emerging LargeMidCap Carbon Efficient Index	9.67%	12.72%	21.79%

Using data from the March 2019 rebalancing, the table below shows each index’s actual turnover as well as the hypothetical turnover that would have occurred had the proposed modified liquidity screen been applied at that rebalancing.

Index	Turnover	
	Actual	Hypothetical
S&P Global Ex-Japan LargeMidCap Carbon Efficient Index	8.51%	9.54%
S&P Global LargeMidCap Carbon Efficient Index	7.74%	8.38%
S&P Emerging LargeMidCap Carbon Efficient Index	9.67%	15.71%

Country Weights

Using data from the March 2019 rebalancing, the table below shows each index’s actual China country weight as well as the hypothetical China country weight that would have resulted had China A-Shares been included at that rebalancing using an inclusion factor (“IF”) of 25% and 100%.

Index	China Country Weight		
	Actual (Excluded)	Hypothetical (25% IF)	Hypothetical (100% IF)
S&P Global Ex-Japan LargeMidCap Carbon Efficient Index	3.69%	4.13%	5.42%
S&P Global LargeMidCap Carbon Efficient Index	3.34%	3.78%	4.96%
S&P Emerging LargeMidCap Carbon Efficient Index	35.96%	39.11%	46.61%

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Using data from the March 2019 rebalancing, the table below shows each index's actual India country weight as well as the hypothetical India country weight that would have occurred had the proposed modified liquidity screen been applied at that rebalancing.

Index	India Country Weight	
	Actual	Hypothetical
S&P Global Ex-Japan LargeMidCap Carbon Efficient Index	0.37%	1.15%
S&P Global LargeMidCap Carbon Efficient Index	0.34%	1.04%
S&P Emerging LargeMidCap Carbon Efficient Index	4.68%	12.09%

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described methodology changes, if adopted, prior to the market open on Monday, March 23, 2020, in conjunction with the annual reconstitution of the indices.

QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

1. **Do you agree with the proposal to change to the eligible universe in order to facilitate the inclusion of China A-Shares?**
 - Yes, include China A-Shares at a reduced weight using an inclusion factor of 25%
 - Yes, include China A-Shares at full weight using an inclusion factor of 100%
 - Yes, include China A-Shares at a reduced weight using a different inclusion factor (please specify)
 - No, do not include China A-shares
2. **Do you agree with the proposal to change the liquidity screen for non-constituents domiciled in India?**
 - Yes, use the aggregate 3M MDVT from both the BSE and NSE.
 - Yes, use a different liquidity screen (please specify).
 - No, continue to use the 3M MDVT from the BSE only.
3. **If any changes are adopted as a result of this consultation, do you agree with the proposed implementation date?**
 - Yes, implement any changes in March 2020
 - No, implement any changes using a different implementation date (Please specify)
4. **Do you have any other comments or feedback regarding the proposed changes outlined above?**

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. S&P DJI will make responses to consultations freely available upon request.³ If you do not want your response to be made available, you must clearly state that in your response. Please respond to this survey by **May 17, 2019**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI will consider the issues and may request clarifications from respondents as part of that

³ Individual and company names as well as contact details will be redacted.

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review. Alternative options to the proposed questions after the deadline require that the consultation be re-opened to the public.

To participate in this consultation, please visit the online survey available [here](#).

For further information about this consultation, please contact S&P Dow Jones Indices at index_services@spglobal.com.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees or is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.

Thank you for taking the time to complete this survey.

For more information about S&P Dow Jones Indices, please visit www.spdji.com.

ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500[®] and the Dow Jones Industrial Average[®]. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

S&P Dow Jones Indices is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies and governments to make decisions with confidence. For more information, visit www.spdji.com.

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